

S P E E C H
OF
HON. E. G. SPAULDING,
OF NEW YORK,

DELIVERED IN THE HOUSE OF REPRESENTATIVES,

January 28, 1862,

O N T H E F I N A N C E S ,

A N D

THE POWER OF CONGRESS TO ISSUE DEMAND TREASURY
NOTES AND MAKE THEM A LEGAL TENDER
IN PAYMENT OF DEBTS:

TO WHICH IS APPENDED

TABLES SHOWING THE VALUE OF THE REAL AND PERSONAL
PROPERTY IN THE UNITED STATES,

A N D A

LETTER OF THE SECRETARY OF THE TREASURY.

W A S H I N G T O N , D . C .

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S P E E C H .

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The House being in Committee of the Whole (Mr. KELLOGG, of Illinois, in the Chair) on the *Demand Treasury note bill*—

Mr. SPAULDING spoke as follows :

Mr. CHAIRMAN: This is an important measure, and I may be indulged for a few moments in explaining its objects, the situation of our finances, and the grounds upon which we rest this measure, and expect it to be adopted. In the first place, I will refer to the loan bills passed at the extra session of Congress, in July, in order to show how we obtained the means to carry on the Government from that time to the present, and to show how the Secretary of the Treasury has performed his duty. These bills were passed, the first on the 17th of July, and the other on the 5th of August. They gave the Secretary of the Treasury power to pledge the credit of the United States to the extent of \$250,000,000. Reflections have been made by some gentlemen on the manner in which the Secretary of the Treasury had performed his duty in borrowing that money, and with some disposition to criticise his actions. As a general reply, I will say that the Secretary has acted in strict conformity with the law, and borrowed money at the rates authorized by Congress.

And, sir, I am disposed, upon this floor and elsewhere, to sustain the Secretary and all Departments of the Government where they have discharged their duties in accordance with the laws which have been passed by us.

The Secretary of the Treasury first borrowed \$100,000,000, giving Treasury notes bearing seven and three-tenths per cent. interest, and he next issued United States bonds at six per cent. interest to the extent of \$50,000,000, at the equivalent of par for seven per cent. bonds, and raised about \$44,650,000; upon such loan, a discount of over \$5,300,000 was sustained. These were the best terms that could be obtained, and were regarded at the time as very favorable to the Government.

But if he has borrowed the money at a high rate, it was authorized by the act of July. I am disposed to sustain the Secretary in what he has done. He has acted in good faith, and he should be sustained by us all.

I may be permitted to say, in explanation of some of the estimates which I shall introduce presently, differing, as they do, from the estimates of the Secretary of the Treasury in his annual report, that since his annual report, he has changed his own views as to what the expenses of the war will be up to July next, and what they will also be up to July, 1863, and that he substantially agrees with me now as to what those expenses will be.

In the discussion of this important measure, I desire, Mr. Chairman, to present the entire plan, with a view to enlist the co-operation not only of all Departments of the Government, but also the co-operation of all the members of the House, without regard to party distinctions. Hearty co-operation is desirable to the success of the important financial measures that will be presented.

Our finances deserve our most serious attention. The ways and means of carrying on the war should enlist the grave consideration of every gentleman on this floor who desires the preservation of this Government. We were never in greater peril than at this moment. It will require all our best energies to successfully meet the crisis through which we are passing. I am oppressed by the magnitude of the work before us. But, sir, I will not, I dare not—I trust we shall not any of us—shrink from the responsibility of performing every duty devolved upon us in this great crisis of our national affairs.

The bill before us is a war measure, a measure of *necessity*, and not of choice, presented by the Committee of Ways and Means to meet the most pressing demands upon the Treasury to sustain the army and navy, until they can make a vigorous advance upon the traitors, and crush out the rebellion. These are extraordinary times, and extraordinary measures must be resorted to in order to save our Government, and preserve our nationality.

This bill, in addition to the fifty million of demand notes authorized by the act of July last, authorizes the Secretary of the Treasury to issue, on the credit of the United States, one hundred millions of dollars of Treasury notes, not bearing interest, payable to the bearer at the Treasury, or at the office of the Assistant Treasurer in the city of New York, at the pleasure of the United States, and of such denominations as he may deem expedient, not less than five dollars each; and such notes and all other United States notes payable on demand, not bearing interest, heretofore authorized, are made receivable for all debts and demands due to the United States, and for all salaries, debts, and demands owing by the United States to individuals, corporations, and associations within the United States, and are also declared lawful money and a legal tender in payment of all debts, public and private, within the United States, making altogether \$150,000,000 legal tender demand notes.

Provision is also made for the convenient exchange of such notes for six per cent. bonds of the United States, redeemable in twenty years.

Further to enable the Secretary of the Treasury to fund the Treasury notes and floating debt of the United States, he is authorized to issue, on the credit of the United States, coupon bonds or registered bonds to an amount not exceeding five hundred millions dollars, and redeemable at the pleasure of the Government after twenty years from date, and bearing interest at the rate of six per cent. per annum, payable semi-annually; and the bonds thus authorized are to be of such denomination, not less than fifty dollars, as may be determined upon by the Secretary of the Treasury, or in sums of not less than \$2,500; for which, if requested, the Secretary of the Treasury, if he deem it expedient, may issue similar bonds, the principal and interest of which may be expressed in the currency of any foreign country, and payable there. The Secretary is authorized to issue said bonds at their par value to any creditor or creditors of the United States who may elect to receive them in satisfaction of their demands; provided that all such claims or demands shall have been first audited and settled by the accounting officers of the Treasury; and the Secretary of the Treasury may also exchange such bonds at any time for lawful money of the United States, or for any of the Treasury notes that have been or may hereafter be issued under any former act of Congress, or that may be issued under the provisions of this act.

The bill is simple and perspicuous in its terms, and easy of execution. It is a Government measure, and the officers of Government are required to execute its provisions.

By the time the Secretary of the Treasury can get these notes engraved, printed, and signed, ready for use, all other available means at his command, and in the Treasury, will be exhausted. This measure is therefore presented under the highest prerogatives of Government. The army and navy now in the service must be paid. They must be supplied with food, clothing, arms, ammunition, and all other materiel of war, to render them effective in maintaining the Government and putting down the rebellion. Having exhausted other means of sustaining the Government, this measure is brought forward as the best that can be devised in the present exigency to relieve the necessities of the Treasury; and I trust it will pass without delay.

At the extra session in July last, Congress authorized the Secretary of the Treasury to borrow \$250,000,000, for which he was authorized to issue coupon bonds, or registered bonds, or Treasury notes, in such proportions of each as he might deem advisable. The bonds were to be issued for twenty years, at a rate not exceeding seven per cent. interest per annum, payable half-yearly; and the Treasury notes were to be issued in denominations of not less than \$50 each, at three years, with interest at 7 3-10 per annum, payable half-yearly, and exchangeable at any time for twenty years six per cent. bonds. Or, at the option of the Secretary, he was permitted to issue \$50,000,000 of the above loan in Treasury notes, on demand, in de-

nominations of not less than five dollars each, without interest, and made receivable in payment of salaries or other dues owing by the United States; or, in his discretion, he was authorized to issue Treasury notes at one year, bearing interest at 3 65-100 per cent. per annum, exchangeable at any time in sums of \$100, or upwards, for the three years Treasury notes bearing 7 3-10 per cent. interest; but in the aggregate not to exceed \$250,000,000. A further provision was made, however, to wit: that the Secretary of the Treasury might negotiate any part of the loan for six per cent. twenty years' bonds, *at a rate not less than the equivalent of par, for bonds bearing seven per cent. interest per annum, half-yearly, payable in twenty years.*

Under these provisions, the Secretary of the Treasury has borrowed on the 7 3-10 per cent. Treasury notes, payable in three years	\$100,000,000
On twenty years six per cent. bonds, reduced to the equivalent at par of seven per cent. per annum, half yearly, say at 89½, (\$44,661,230.97 actually received into the Treasury,) for which six per cent. bonds were issued.....	50,000,000
Issued and put in circulation as currency (and to be put in circulation within a few days) all the demand Treasury notes authorized in July, not bearing interest.....	50,000,000
 Borrowed on the loan bill of July.....	\$200,000,000
Paid out to contractors and others 7 30-100 Treasury notes within the last few days, say.....	3,516,500
	<hr/>
	\$203,516,500

The total amount of the public debt up to the present time, and for which U. S. stock and Treasury notes have been issued, is as follows:

Up to July 1, 1861.....	\$90,867,828.68
There was paid to creditors, or exchanged for coin at par, at different dates in July and August, six per cent. two years' notes to the amount of.....	14,019,034.66
There was borrowed, at par, in the same months, upon sixty days' six per cent. notes, the sum of.....	12,877,750.00
There was borrowed, at par, on the 19th of August, three years' seven and three-tenths per cent. bonds, issued for the most part to subscribers to the national loan.....	50,000,000.00
There was borrowed on the 1st October upon like securities.....	50,000,000.00
There was borrowed, at par, for seven per cent., on the 10th of November, upon twenty years six per cent. bonds reduced to the equivalent of sevens, including interest.....	50,000,000.00
There have been issued and circulated of Treasury notes payable on demand.....	39,000,000.00
 Making an aggregate debt in various forms, to January 15, 1862.....	306,764,613.34
I estimate that the amount required up to July 1, 1862, will be.....	343,235,386.66
 Total debt estimated to July 1, 1862.....	650,000,000.00
I estimate for the fiscal year up to July 1, 1863, if the war continues to that time.....	550,000,000.00
 Total indebtedness, liquidated and unliquidated, to July 1, 1863.....	<hr/> 1,200,000,000.00

This estimate exceeds that of the Secretary of the Treasury by \$300,000,000 to July 1, 1863. This, however, includes all indebtedness against the Government, whether funded or not, and all accounts in process of being audited, and such as are passing through the hands of the accounting officers.

There is now over \$100,000,000 of accrued indebtedness, in different forms, that should be paid at an early day.

With this large accrued indebtedness, and with the prospect that (unless this bill is adopted) the Government will put on the market, to the highest bidder, still further issues of bonds, to the amount of \$250,000,000 to \$300,000,000, to pay current expenses to July next, it is not expected that even the present price of United States stocks can be maintained if forced on the market at this time. We have the alternative, either to go into the market and sell our bonds for what they will command, or to pass this bill, or find some better mode, if one can be devised, to raise means to carry on the war. The Secretary has the means of defraying the daily expenses required to be disbursed from the Treasury for only a few days longer. He has on hand about one-fifth of the loan made in November last, a small portion of the demand Treasury notes authorized by the act of July—say \$10,000,000 not yet issued—and such of the remaining 7 3-10 and 3 65-100 Treasury notes authorized by that act as can be used in paying contractors, for supplies, and for salaries, and other Government dues to such persons as are willing to receive them. With the enormous expenditures of the Government, to pay the extraordinary expenses of the war, it requires no extended calculation to show that the Treasury must be supplied from some source, or the Government must stop payment in a very few days.

You cannot borrow of capitalists any more money on twenty years seven per cent. bonds, nor on your 7 3-10 Treasury notes at the rates fixed by the act of July

last. If you offer to the people and put on the market \$300,000,000 more, to the highest bidder, in the present aspect of affairs, they would not be taken, except at ruinous rates of discount. That policy would depreciate the bonds already taken by the banks and the people who are most loyal to the Government, and who came forward as your best friends, and furnished the means so much needed during the last few months to organize your army and navy; and, besides, such depreciation would greatly increase the debt, by requiring a much larger amount of bonds to be issued than would be needed if your loans were taken at par. A loan put upon the market in the present depressed state of United States stocks, to be followed by other larger loans, is not regarded as a favorable mode of providing the means for maintaining the Government at the present time. If it had been adopted at first it might possibly have been the best mode; but it is now too late to essay that plan, and I believe it would be ruinous to adopt it. I fear the 20 years six per cent. bonds would, under the pressure, fall to 75, 70, 60, and even 50 cents. This would be a ruinous mode of raising the means to carry on the Government.

What, then, is to be done? The Secretary of the Treasury in his annual report does not recommend the issue of demand Treasury notes, although he points out many advantages that would result to the Government from the issue. He suggests two plans: first, the issue of demand Treasury notes; and second, a National currency, secured by a pledge of United States stocks, to be issued by banks and associations, with proper regulations for their redemption by the banks themselves. On the propriety of the issue of Treasury notes by the Government, to be put in circulation as money, the Secretary says:

"The first of these plans was partially adopted at the last session of Congress, in the provision authorizing the Secretary to issue United States notes, payable in coin, to an amount not exceeding fifty millions of dollars. That provision may be so extended as to reach the average circulation of the country, while a moderate tax, gradually augmented, on bank notes, will relieve the national from the competition of local circulation. It has been already suggested that the substitution of a national for a State currency, upon this plan, would be equivalent to a loan to the Government without interest, except on the fund to be kept in coin, and without expense, except the cost of preparation, issue, and redemption; while the people would gain the additional advantage of a uniform currency, and relief from a considerable burden in the form of interest on debt."

These remarks of the Secretary were made before the suspension of specie payments. The situation of the country is now very different from what it was two months ago. The circumstances have changed; and the Secretary and Congress will find it necessary, in the present exigency, to conform their action to what *can* be done, and not to what they would *like* to do, were it otherwise practicable.

The second plan of the Secretary, and the one which he recommends for adoption, namely, a national currency, to be issued by banks, and secured by a pledge of United States stocks, the sub-Committee of Ways and Means have examined with considerable care. A bill has been prepared and printed for the use of the committee, which may, after some modification, be reported to the House for its action. The committee have come to the conclusion that, however meritorious this system may be in providing a way for funding the stocks of the United States, and however perfect the system may be made by Congress, it cannot, if adopted, be made available soon enough to meet the immediately-impending necessities of the Government.

This new system of banking would necessarily go into operation slowly. The existing circulation of bank notes in the loyal States is supposed to be about \$140,000,000. This new currency, when issued, would come into competition with the existing circulation of the banks already established in the several States; and in the present embarrassed condition of monetary affairs, several months must necessarily elapse before any considerable amount of United States stocks would be absorbed by banks under this proposed new law. As an ultimate mode of funding some part of the large amount of Government stock which has already been issued, and which must from time to time be issued, it may be very valuable; and the national currency issued upon it would no doubt obtain a wide circulation, and greatly facilitate the payment of taxes and other dues to the Government. But with a navy and an army of 600,000 in the field, requiring, with the other expenses of the

Government, an average daily expenditure of more than \$1,600,000, this new system of banking will not afford relief to the Treasury in time to enable the Secretary to meet the pressing demands that are made upon him.

The duties received at the different custom-houses, and the taxes levied at the extra session, or that may now be levied, will be wholly inadequate to meet the requirements of the Treasury in the present emergency during the next six months.

If you cannot borrow the money on the credit of the United States, except at ruinous rates of discount, and cannot make the new banking system available in time, and cannot realize the amount required from your tariff and tax bills, in what mode can the means be obtained, and the Government be carried on? It is believed that the only way in which it can be done is by issuing Treasury notes payable on demand, and making them a legal tender in payment of all debts, public and private, and by adequate taxation, to be imposed by new bills. This will bring into full exercise all the higher powers of Government under the Constitution. The Constitution confers on Congress the power (art. 1, sec. 8:)

"To lay and collect taxes, duties, imposts, and excises, to pay the debts and provide for the common defence and general welfare of the United States.

"To borrow money on the credit of the United States.

"To regulate commerce with foreign nations, among the several States, and with the Indian tribes.

"To coin money, regulate the value thereof, and of foreign coins.

"To raise and support armies.

"To provide and maintain a navy.

"To make all laws which shall be *necessary* and proper for carrying into execution the foregoing powers, and all other powers vested by the Constitution in the Government of the United States, or in any department or officer thereof."

These are among the high powers of Government which must now be brought into full, ample play. The table which I have before me, procured from the Census bureau, shows that the true value of the property, real and personal, within the United States, is *sixteen billions, one hundred and fifty-nine millions, six hundred and sixteen thousand and sixty-eight dollars*, (\$16,159,616,068,) and the assessed value to be \$12,006,756,585. [See Appendix.]

The power in the Constitution to "lay and collect taxes, duties, imposts, and excises," is general and unlimited. Congress has the power to levy and collect any amount of taxes that may be necessary to preserve its existence and pay all its debts. Government has a claim, a mortgage in fact, on all this property, to that extent. Will Congress do its duty by passing bills to collect these taxes? This is the vital question. Will Congress have the firmness and the courage to impose the necessary taxation to sustain the credit of the Government? Direct taxation, excises, and internal duties, are new features within the United States. They will be heavy burdens on the people, but essential to sustain the circulation of demand Treasury notes. The tax-gatherer will be an unwelcome visitor to most people, but his face must soon be familiar.

Some members of Congress may hesitate to vote for the tax bills, fearing that they may not be in favor with their constituency at home. Under these circumstances, will members of Congress meet the question boldly and firmly? Here is the whole property of the country at the will of Congress. You have the power to tax it to an unlimited extent, if necessary to sustain the Government.

This is the *capital*, \$16,000,000,000 in amount, on which your Treasury notes and bonds rest. This claim of Government, in the hands of Congress, is direct and specific on the banks throughout the United States, including the gold and silver in their vaults; on commerce; on all kinds of production and business; on railroads, steamboats, and their passengers; on gas companies; on manufacturing companies of all kinds; in short, all real and personal estate of every kind is held subject to the payment of the Treasury notes and bonds issued by the Government. Congress is clothed with this mighty power to sustain the nation at this time. Will you hesitate to do your duty? This is what the people, the capitalist, the merchant, and all who confide in your demand notes, want to know. If they take these notes, they want to know positively whether you will enforce the claim of the Government upon the property of the country, to the full extent necessary to redeem the Treasury notes, and pay punctually the interest on the bonds which they take of you to sustain

the Government. Unless you are prepared to satisfy the country on this point, it is in vain to issue bonds or notes, and expect them to pass currently among the people. Unless this is done they will depreciate, and they ought to depreciate; but with ample taxation, cheerfully voted by Congress, they will be the very best security in the country, because the whole property of the country is held for their redemption. Congress has a plain duty to perform. It has ample power. This power should now be enforced. Will Congress perform this duty?

I cannot doubt that it will. The emergency is great, and the exercise of this power is now an imperative necessity, in order to sustain the credit of the United States and justify the Government in issuing so large an amount of Treasury notes, to circulate as money and be made a legal tender in the payment of debts. Congress (as well as the Committee of Ways and Means) is of opinion that we must raise by direct taxes, excises, internal duties, and duties on imports, during the current year, at least \$150,000,000. That was shown by the recent resolution passed by the Senate and House. This will pay the current ordinary expenses of Government, and the interest on all the extraordinary war debt, and create a sinking fund for retiring annually a portion of the Treasury notes.

In carrying on the existing war, and putting down the rebellion, it is necessary to bring into exercise all the sovereign power of the Government to sustain itself. The war power must be exercised to its fullest extent. The money power of the Government must be brought into requisition. The power to tax must be availed of. All the energies of the nation must be aroused and brought into action. The power of the Government and the means of the people must all be devoted to this great work. The Government must be preserved, and this nation of thirty-four States must be perpetuated. The life of the nation is in peril; and all we have and all we hope for must be devoted to maintain its existence, until peace and quiet are restored in every part of our common country.

This bill is a *necessary means* of carrying into execution the powers granted in the Constitution "to raise and *support* armies," and "to provide and *Maintain a navy*."

In the present *crisis* of our national affairs, it is necessary that the army should be "*supported*," and the navy "*Maintained*." This necessity will not be questioned by any loyal member on this floor.

The Constitution provides that "*all the laws necessary and proper* for carrying into execution the foregoing powers" may be passed by Congress.

If the *end* be legitimate, and within the scope of the Constitution, all the *means* that are appropriate, which are plainly adapted to that end, and which are not prohibited, may be constitutionally employed to carry it into effect.

If a certain means to the exercise of any of the powers expressly given by the Constitution to the Government of the Union be an appropriate measure, not prohibited by the Constitution, the degree of its necessity is a question of *legislative discretion*; not of judicial cognizance.

The Government of the United States is not prohibited by the Constitution from issuing Treasury notes on demand, and making them a *legal tender* in payment of all debts within its jurisdiction. The Constitution (Art. 1, Sec. 10) prohibits the *States* from making any thing but gold and silver coin a legal tender in payment of debts; but this does not at all restrict the sovereign power of the United States. Congress has the power to coin money, "*regulate the value thereof, and of foreign coin*." Gold and silver by long practice—a practice that has continued for centuries among all nations—has become the legal money of the world in all commercial transactions. Its real intrinsic value is not as great as that fixed upon it by Governments. All Governments fix the value of gold and silver, and without the Government stamp, gold and silver would be a simple commodity, like other things having intrinsic value. Some Governments fix the value of coin higher, and some lower, just as each for itself chooses to determine. Any other metal or thing that should be stamped, and its value regulated by all the Governments of the world, would pass equally well in all commercial transactions as gold and silver, although not intrinsically as valuable. Exchequer bills or Treasury notes whose value is fixed by Government, and stamped as money, would pass as money in the payment of debts within the jurisdiction of the Government fixing such value.

In regulating the value of "coin," either foreign or domestic, Congress may pro-

vide that gold and silver shall be of no greater value in the payment of debts within the United States than the Treasury notes issued on the credit of this Government, which stamps such coin and fixes its value. These high powers of Government have been frequently exercised by Great Britain during her continental wars, in making the Bank of England notes receivable for public dues, and virtually a legal tender in payment of debts, by suspending the statutory clause requiring specie payments, within the United Kingdom; and other Governments of Europe have exercised the same high prerogatives whenever necessary to preserve their existence. But we are not left to this argument alone for constitutional power to issue these demand notes and make them a legal tender in payment of debts, as I will endeavor hereafter to show.

The Attorney General, in an unofficial opinion, given to me, at my solicitation, says:

"The bill, after providing for the issue of Treasury notes, contains this clause, 'namely: 'And such Treasury notes shall be lawful money, and a *legal tender* in payment of all debts, public and private, within the United States.' And you desire my opinion whether this clause is or is not constitutional.

"Certainly the Constitution contains no direct verbal prohibition, and I think it contains no inferential prohibition that can be fairly drawn from its expressed terms. The first article of the Constitution, sec. 8, grants to Congress specifically a great mass of powers. Sec. 9 contains divers limitations upon Congress, upon the United States, and upon individuals; and sec. 10 contains restrictions upon the several States. This last section is the only one that treats of *tender*. 'No State shall make anything but gold and silver coin a tender in payment of debts.' This applies to a *State* only, and not to the nation; and thus it has been always understood.

"With regard to the next preceding clause in the same section—'No State shall emit bills of credit.' The prohibition to emit *bills of credit* is quite as strong as the prohibition to make anything but gold and silver coin a legal tender; yet nobody doubts—Congress does not doubt—its power to issue bills of credit. Treasury notes are bills of credit, and I think one is just as much prohibited as the other. Neither is forbidden to Congress."

The Constitution provides that Congress shall have power to pass "all laws necessary and proper" for carrying into execution all the powers granted to the Government of the United States, or any department or officer thereof.

The word *necessary*, as used, is not limited by the additional word "*proper*," but enlarged thereby.

"If the word *necessary* were used in the strict, rigorous sense, it would be an extraordinary departure from the usual course of the human mind, as exhibited in solemn instruments, to add another word, the only possible effect of which is to qualify that strict and rigorous meaning, and to present clearly the idea of a choice of means in the course of legislation. If no means are to be resorted to but such as are *indispensably necessary*, there can be neither sense nor utility in adding the word '*proper*'; for the *indispensable necessity* would shut out from view all consideration of the *propriety* of the means."—3 *Story's Commentaries*, sec. 122.

Alexander Hamilton, in discussing these high powers of the Constitution, says:

"The authorities essential to the care of the common defence are these: to raise armies; to build and equip fleets; to prescribe rules for the government of both; to direct their operations; to provide for their support. These powers ought to exist WITHOUT LIMITATION; because it is impossible to foresee or to define the extent and variety of national exigencies, and the correspondent extent and variety of the means necessary to satisfy them. The circumstances which endanger the safety of nations are infinite; and for this reason no constitutional shackles can wisely be imposed on the power to which the care of it is committed." * * * * "This power ought to be under the direction of the same councils which are appointed to preside over the *common defence*." * * * * "It must be admitted as a necessary consequence, that there can be NO LIMITATION of that authority which is to provide for the defence and protection of the community in any matter essential to its efficacy; that is, in any matter essential to the *formation, direction, or support* of the NATIONAL FORCES."

This statement, adds Hamilton—

"Rests upon two axioms, simple as they are universal: the *means* ought to be proportioned to the *end*; the persons from whose agency the attainment of the *end* is

' expected ought to possess the *means* by which it is to be attained."—*Federalist*, No. 23, pp. 95, 96.

Congress may judge of the necessity in the present exigency. It may decide whether it will authorize the Secretary of the Treasury to issue demand Treasury notes, and make them a legal tender in payment of debts, or whether it will put its six or seven per cent. bonds on the market, at ruinous rates of discount, and raise the money, at any sacrifice the money-lender may require, to meet the pressing demands upon the Treasury. In the one case the Government will be able to pay its debts at fair rates of interest; in the other, it must go into the streets *shining* for the means, like an individual in failing circumstances, and sure of being used up in the end by the avarice of those who may exact unreasonable terms. The Government needs and should have, in her present peril, the aid and protection of all patriotic citizens.

But, sir, knowing the power of money, and the disposition there is among men to use it for the acquisition of greater gain, I am unwilling that this Government, with all its immense power and resources, should be left in the hands of any class of men, bankers or money-lenders, however respectable and patriotic they may be. The Government is much stronger than any of them. Its capital is much greater. It has control of all the bankers' money, and all the brokers' money, and all the property of the thirty millions of people under its jurisdiction. Why, then, should it go into Wall street, State street, Chestnut street, or any other street, begging for money? Their money is not as secure as Government money. All the gold they possess would not carry on the Government for ninety days. They issue only promises to pay, which, if Congress does its duty, are not half as secure as United States Treasury notes based on adequate taxation upon all the property of the country.

Why, then, go into the streets at all to borrow money? I am opposed, in our present extremity, to all shifts of this kind. I prefer to assert the power and dignity of the Government, by the issue of its own notes, pledging the faith, the honor, and property of the whole loyal people of the country to maintain their circulation and provide for their redemption.

On the question of constitutional power we are not left without the recorded opinions of the ablest jurists in the country.—1 *Kent's Com.*, 351—2; *McCulloch vs. The State of Maryland*, 4 *Wheat. R.*, 413—20.

Chief Justice Marshall, Daniel Webster, and Judge Kent lay down the doctrine as follows:

"The Government of the United States is one of enumerated powers, and it can exercise only the powers granted to it; but though limited in its powers, it is supreme within its sphere of action. It is the Government of the people of the United States, and emanated from them. Its powers were delegated by all, and it represents all, and acts for all.

"There is nothing in the Constitution which excludes *incidental* or *implied* powers. The Articles of Confederation gave nothing to the United States but what was expressly granted; but the new Constitution dropped the word *expressly*, and left the question whether a particular power was granted to depend on a fair construction of the whole instrument. No constitution can contain an accurate detail of all the subdivisions of its powers, and all the *means* by which they might be carried into execution. It would render it too prolix. Its nature requires that only the great outlines should be marked and its important objects designated, and all the minor ingredients left to be deduced from the nature of those objects. The sword and the purse, all the external relations, and no inconsiderable portion of the industry of the nation, were entrusted to the General Government; and a Government entrusted with such ample powers, on the due execution of which the happiness and prosperity of the people vitally depended, must also be entrusted with *ample means* for their execution. Unless the words imperiously require it, we ought not to adopt a construction which would impute to the framers of the Constitution, when granting great powers for the public good, the intention of impeding their exercise, by withholding a *choice of means*. The powers given to the Government imply the ordinary means of execution; and the Government, in all sound reason and fair interpretation, must have the choice of the means which it deems the most convenient and appropriate to the execution of the power. The Constitution has not left the right of Congress to employ the necessary means for the execution of its powers to general reasoning. Article 1, section 8, of

' the Constitution, expressly confers on Congress the power 'to make all laws that may be necessary and proper to carry into execution the foregoing powers.' Congress may employ such means and pass such laws as it may deem necessary to carry into execution great powers granted by the Constitution; and *necessary* means, in the sense of the Constitution, does not import an absolute physical necessity, so strong that one thing cannot exist without the other. It stands for any means calculated to produce the end. The word *necessary* admits of all degrees of comparison. A thing may be *necessary*, or very *necessary*, or absolutely, or indispensably *necessary*. The word is used in various senses; and in its construction, the subject, the context, the intention, are all to be taken into view. The powers of the Government were given for the welfare of the nation. They were intended to endure for ages to come, and to be adapted to the various *crises* in human affairs. To prescribe the specific means by which Government should in all future time execute its power, and to confine the choice of means to such narrow limits as should not leave it in the power of Congress to adopt any which might be appropriate and conducive to the end, would be most unwise and pernicious, because it would be an attempt to provide, by immutable rules, for exigencies which, if foreseen at all, must have been foreseen dimly, and would deprive the Legislature of the capacity to avail itself of experience, or to exercise its reason, and accommodate its legislation to circumstances. If the end be legitimate, and within the scope of the Constitution, all means which are appropriate, and plainly adapted to this end, and which are not prohibited by the Constitution, are lawful."

It is plainly within the scope of the Constitution that the Government should maintain itself; that the army should be supported; that the navy should be maintained. The ways and means of doing this are left to Congress to provide. Congress may do this entirely by taxation. It may provide by law to levy and collect taxes enough every year to pay the whole expenses of the war during each current year, and so "pay as we go." It may issue six per cent. bonds and sell them on the market for what they will bring—even if they will not sell for over fifty cents on the dollar—to raise money to carry on the war. It may issue Treasury notes payable on demand, and make them a legal tender in payment of debts. Either one or all of these modes of paying the expenses of the Government is left to the discretion of Congress. Either mode is constitutional; and it is left to the *sound discretion* of Congress to decide which mode it will adopt, or whether it will adopt a part of each, as being the best in the present crisis.

My own impression is, that it will be best for us to adopt, in part, all of these modes for providing the means.

1. Raise by taxation the current year, over and above the amount received from duties on imports, the sum of \$150,000,000.

2. Issue \$100,000,000 of demand Treasury notes in addition to the \$50,000,000 authorized in July, making them a legal tender in payment of debts, and exchangeable at any time for 6 per cent. twenty years' bonds; with a further issue of demand notes if Congress shall hereafter deem it necessary.

3. Provide for the issue of all the twenty years' 6 per cent. bonds that may be necessary to fund the demand Treasury notes, and other fundable Treasury notes that may be issued, (say \$500,000,000 six per cent. twenty years' coupon bonds,) and pledge \$30,000,000 of the annual taxes to pay the interest half-yearly thereon, and pledge \$25,000,000 more, as a sinking fund to redeem the principal in twenty years.

1. This tax of \$150,000,000 would afford an ample basis on which to rest the credit of the Government for this large issue of Treasury notes and bonds, and would insure the punctual payment of the interest to the capitalists who might hold them.

2. The demand notes put in circulation would meet the present exigencies of the Government, in the discharge of its existing liabilities to the army, navy, and contractors, and for supplies, materials, and munitions of war. These notes would find their way into all the channels of trade among the people; and as they accumulated in the hands of capitalists, they would exchange them for the six per cent. twenty years' bonds.

These circulating notes in the hands of the people would enable them to pay the taxes imposed, and would facilitate all business operations between farmers, mechanics, commercial business men, and banks, and be equally as good as, and in most cases better, than the present irredeemable circulation issued by the banks.

3. The \$500,000,000 six per cent. twenty years' bonds in the hands of the Secretary of the Treasury, ready to be issued, would afford ample opportunity for funding the Treasury notes as fast as capitalists might desire to exchange Treasury notes not bearing interest for coupon bonds of the United States bearing six per cent. interest, and amply secured by a tax upon the people and all their property.

In this way the Government will be able to get along with its immediate and pressing necessities without being obliged to force its bonds on the market at ruinous rates of discount; the people, under heavy taxation, will be shielded against high rates of interest; and the capitalists will be afforded a fair compensation for the use of their money during the pending struggle of the country for national existence.

A suspension of specie payments is greatly to be deplored, but it is not a fatal step in an exigency like the present. The British Government and the Bank of England remained under suspension from 1797 to 1821-'2—a period of twenty-five years. During this time England successfully resisted the imperial power of the Emperor Napoleon, and preserved her own imperilled existence. During all this time the people of Great Britain advanced in wealth, population, and resources. Gold is not as valuable as the productions of the farmer and mechanic, for it is not as indispensable as are food and raiment. Our army and navy must have what is far more valuable to them than gold and silver. They must have food, clothing, and the material of war. Treasury notes issued by the Government, on the faith of the whole people, will purchase these indispensable articles, and the war can be prosecuted until we can enforce obedience to the Constitution and laws, and an honorable peace be thereby secured. This being accomplished, I will be among the first to advocate a speedy return to specie payments, and all measures that are calculated to preserve the honor and dignity of the Government in time of peace, and which I regret are not practicable in the prosecution of this war.

I do not despair; on the contrary, I have an abiding faith in the patriotism, firmness, and resources of the people to maintain this Government. I feel that we are in great peril; but when the people and our rulers become sufficiently aroused to fully appreciate the magnitude and probable duration of the rebellion—a rebellion that has grown into most gigantic proportions—then shall we be able to put forth the energy and the means necessary to crush it.

An early and successful advance of our armies is of the utmost importance. We need such an advance to sustain the financial credit of the Government. We need it to prevent foreign intervention; we need it to rouse the flagging energies of the people; and above all, we need it to vindicate the courage and invincibility of our brave soldiers, who are so anxious to be led on to victory.

APPENDIX.

TABLE A.

True Value of Real and Personal Estate according to the 7th Census, 1850, and the 8th Census, 1860, respectively.

STATES.	1850. Real and Person- al Estate.	1860. Real and Person- al Estate.	Increase.	Increase per ct. for 10 years.
Alabama	\$228,204,332	\$495,237,078	\$267,032,746	117.01
Arkansas.....	39,841,025	219,256,473	179,415,448	450.32
California*	22,161,872	207,874,613	185,712,741	837.98
Connecticut.....	155,707,980	444,274,114	288,566,134	185.32
Delaware	21,062,556	46,242,181	25,179,625	119.54
Florida.....	22,862,270	73,101,500	50,239,230	219.74
Georgia	335,425,714	645,895,237	310,469,523	92.56
Illinois.....	156,265,006	871,860,282	715,595,276	457.93
Indiana	202,650,264	528,835,371	326,185,107	160.95
Iowa.....	23,714,638	247,338,265	223,623,627	942.97
Kansas.....		31,327,895		
Kentucky.....	301,628,456	666,043,112	364,414,656	120.81
Louisiana	233,998,764	602,118,568	368,119,804	157.30
Maine	122,777,571	190,211,600	67,434,029	54.92
Maryland.....	219,217,364	376,919,944	157,702,580	71.93
Massachusetts.....	573,342,286	815,237,433	241,895,147	42.19
Michigan	59,787,255	257,163,983	197,376,728	330.13
Minnesota	not ret'd in full.	.52,294,413		
Mississippi.....	228,951,130	607,324,911	378,373,781	165.26
Missouri	137,247,707	501,214,398	363,966,691	265.18
New Hampshire.....	103,652,835	156,310,860	52,658,025	50.80
New Jersey†.....	200,000,000	467,918,324	267,918,324	133.95
New York.....	1,080,309,216	1,843,338,517	763,029,301	70.63
North Carolina.....	226,800,472	358,739,399	131,938,927	58.17
Ohio.....	504,726,120	1,193,898,422	689,172,302	136.54
Oregon.....	5,063,474	28,930,637	23,867,163	471.35
Pennsylvania.....	722,486,120	1,416,501,818	694,015,698	96.05
Rhode Island.....	80,508,794	135,337,588	54,828,794	68.10
South Carolina.....	288,257,694	548,138,754	259,881,060	90.15
Tennessee	201,246,686	493,903,892	292,657,206	145.42
Texas.....	52,740,473	365,200,614	312,460,141	592.44
Vermont.....	92,205,049	122,477,170	30,272,121	32.83
Virginia	430,701,082	793,249,681	362,548,599	84.17
Wisconsin	42,056,595	273,671,668	231,615,073	550.72
District of Columbia	14,018,874	41,084,945	27,066,071	193.06
Nebraska.....		9,131,056		
New Mexico.....	5,174,471	20,813,768	15,639,298	302.24
Utah.....	986,083	5,596,118	4,610,035	467.50
Washington.....		5,601,466		
	7,135,780,228	16,159,616,068	8,925,481,011	126.45

* Only 13 counties in California have been returned.

† In New Jersey, as the real estate was only returned, the above is partly estimated.

TABLE B.

Table showing the Federal Population, and the Assessed Value of Real and Personal Property of the several States of the Union.—Census 1860.

STATES.	Federal Population.	Value of Real Estate.	Value of Personal Property.
Alabama.....	790,243	\$155,034,089	\$277,164,673
Arkansas.....	390,985	63,254,740	116,956,590
California.....	380,016	66,906,631	72,748,036
Connecticut.....	460,151	191,478,842	149,778,134
Delaware	111,498	26,273,803	13,493,439
Florida.....	115,737	21,722,810	47,206,875
Georgia.....	872,436	179,801,441	438,430,946
Illinois	1,711,753	287,219,940	101,987,432
Indiana	1,350,941	291,829,992	119,212,432
Iowa.....	674,948	149,433,423	55,733,560
Kansas ..	107,110	16,088,602	6,429,630
Kentucky.....	1,065,517	277,925,054	250,287,639
Louisiana.....	576,086	280,704,988	155,082,277
Maine	628,276	86,717,716	67,662,672
Maryland.....	652,158	65,341,438	231,793,800
Massachusetts.....	1,231,065	475,413,165	301,744,651
Michigan.....	749,112	123,605,084	39,927,921
Minnesota.....	172,022	25,391,771	6,727,002
Mississippi.....	616,717	157,836,737	351,636,175
Missouri.....	1,136,331	153,450,577	113,485,274
New Hampshire.....	326,072	59,638,346	64,171,743
New Jersey.....	672,031	151,161,942	145,520,550
New York.....	3,880,727	1,069,658,080	320,806,558
North Carolina.....	860,234	116,366,573	175,931,029
Ohio.....	2,339,599	687,518,121	272,348,980
Oregon.....	52,464	6,279,602	12,745,313
Pennsylvania.....	2,906,370	561,192,980	158,060,355
Rhode Island.....	174,621	83,778,204	41,326,101
South Carolina.....	542,795	129,772,684	359,546,444
Tennessee.....	999,533	219,991,180	162,504,020
Texas	530,159	112,476,013	155,316,322
Vermont.....	315,116	65,639,973	19,118,646
Virginia.....	1,399,731	417,952,228	239,069,108
Wisconsin	775,873	148,238,766	37,706,723
	29,568,427	12,006,756,585	5,081,661,050

TABLE C.

Statement exhibiting the Federal Population of the States and Territories, as shown by the eighth census, and the allotment of a direct tax of \$30,000,000 among the respective States and Territories, based upon said population, distinguishing between free, loyal slave, and disloyal States, and the aggregate under each head.

STATE.	Federal Population.	Allotment to the free States.	Allotment to loyal slave States.	Allotment to disloyal slave States.	Total allotment.
Alabama.....	790,243	.....	.....	\$793,970	\$793,970
Arkansas.....	390,985	.....	.....	392,829	392,829
California.....	380,016	\$381,808	.....	.....	381,808
Connecticut.....	460,151	462,321	.....	.....	462,321
Delaware.....	111,498	.....	\$112,025	.....	112,025
Florida.....	115,737	.....	.....	116,284	116,284
Georgia.....	872,436	.....	.....	876,551	876,551
Illinois.....	1,711,753	1,719,827	.....	.....	1,719,827
Indiana.....	1,350,941	1,357,313	.....	.....	1,357,313
Iowa.....	674,948	678,132	.....	.....	678,132
Kansas.....	107,110	107,615	.....	.....	107,615
Kentucky.....	1,065,517	.....	1,070,543	.....	1,070,543
Louisiana.....	576,086	.....	.....	578,803	578,803
Maine.....	628,276	631,239	.....	.....	631,239
Maryland.....	652,158	.....	655,235	.....	655,235
Massachusetts.....	1,231,065	1,236,872	.....	.....	1,236,872
Michigan.....	749,112	752,645	.....	.....	752,645
Minnesota.....	162,022	162,786	.....	.....	162,786
Mississippi.....	616,717	.....	.....	619,627	619,627
Missouri.....	1,136,331	.....	1,141,691	.....	1,141,691
New Hampshire.....	326,072	327,610	.....	.....	327,610
New Jersey.....	672,031	675,201	.....	.....	675,201
New York.....	3,887,542	3,905,878	.....	.....	3,905,878
North Carolina.....	860,234	.....	.....	864,292	864,292
Ohio.....	2,339,599	2,350,634	.....	.....	2,350,634
Oregon.....	52,464	52,711	.....	.....	52,711
Pennsylvania.....	2,906,370	2,920,079	.....	.....	2,920,079
Rhode Island.....	174,621	175,445	.....	.....	175,445
South Carolina.....	542,795	.....	.....	.545,356	.545,356
Tennessee.....	999,533	.....	.....	1,004,247	1,004,247
Texas.....	530,159	.....	.....	532,660	532,660
Vermont.....	315,116	316,602	.....	.....	316,602
Virginia.....	1,399,724	.....	.....	1,406,326	1,406,326
Wisconsin.....	775,873	779,533	.....	.....	779,533
Colorado.....	34,197	34,358	.....	.....	34,358
Dakota.....	4,839	4,862	.....	.....	4,862
Nebraska.....	28,832	.....	28,968	.....	28,968
Nevada.....	6,857	6,889	.....	.....	6,889
New Mexico.....	93,531	.....	93,972	.....	93,972
Utah.....	40,283	.....	40,473	.....	40,473
Washington.....	11,578	11,633	.....	.....	11,633
District of Columbia.....	73,804	.....	74,155	.....	74,155
Total.....	29,859,162	19,051,993	3,217,062	7,730,945	30,000,000

Extract from a letter of the Secretary of the Treasury to the Committee of Ways and Means.

TREASURY DEPARTMENT, January 29, 1862.

SIR: I have the honor to acknowledge the receipt of a resolution of the Committee of Ways and Means, referring to me House bill No. 240, and requesting my opinion as to the propriety and necessity of its immediate passage by Congress.

The condition of the Treasury certainly needs immediate action on the subject of affording provision for the expenditures of the Government, both expedient and necessary. The general provisions of the bill submitted to me, seem to me well adapted to the end proposed. There are, however, some points which may, perhaps, be usefully amended.

The provision making United States notes a legal tender has doubtless been well considered by the committee, and their conclusion needs no support from any observation of mine. I think it my duty, however, to say, that in respect to this provision my reflections have conducted me to the same conclusions they have reached. It is not unknown to them that I have felt, nor do I wish to conceal that I now feel, a great aversion to making anything but coin a legal tender in payment of debts. It has been my anxious wish to avoid the necessity of such legislation. It is, however, at present impossible, in consequence of the large expenditures entailed by the war, and the suspension of the banks, to procure sufficient coin for disbursements; and it has, therefore, become indispensably necessary that we should resort to the issue of United States notes. The making them a legal tender might, however, still be avoided if the willingness manifested by the people generally, by railroad companies, and by many of the banking institutions, to receive and pay them as money in all transactions, were absolutely or practically universal; but, unfortunately, there are some persons and some institutions which refuse to receive and pay them, and whose action tends not merely to the unnecessary depreciation of the notes, but to establish discriminations in business against those who, in this matter, give a cordial support to the Government, and in favor of those who do not. Such discriminations should, if possible, be prevented; and the provision making the notes a legal tender, in a great measure at least, prevents it, by putting all citizens, in this respect, on the same level, both of rights and duties.

The committee, doubtless, feel the necessity of accompanying this measure by legislation necessary to secure the highest credit as well as the largest currency of these notes. This security can be found, in my judgment, by proper provisions for funding them in interest-bearing bonds; by well-guarded legislation authorizing banking associations with circulation based on the bonds in which the notes are funded; and by a judicious system of adequate taxation, which will not only create a demand for the notes, but—by securing the prompt payment of interest—raise and sustain the credit of the bonds. Such legislation, it may be hoped, will divest the legal tender clause of the bill of injurious tendencies, and secure the earliest possible return to a sound currency of coin and promptly convertible notes.

I beg leave to add, that vigorous military operations and the unsparing retrenchment of all necessary expenses, will also contribute essentially to this desirable end.

* * * * *

I have the honor to be, with very great

S. P. CHASE.

Hon. THADDEUS STEVENS, Chairm

Ed G. Spaulding

Mr Wm D Lewis
Philadelphia